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SUBJECT: SW CHINA: YIBIN'S YANGTZE RIVER PORT PROJECT -- WASTED
CAPITAL INVESTMENT, OR A WISE BET ON CHINA'S FUTURE?

REF: A) 09 CHENGDU 262/263; B) 09 CHENGDU 310

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[¶1.](#) (U) This cable contains sensitive but unclassified
information - not for distribution on the Internet.

[¶2.](#) (SBU) Summary: Sichuan's fifth largest city, Yibin, is
moving ahead with a river port project that, when finished, will
be the largest port facility in the province. An Yibin City/
Shanghai International Port Group joint venture began
construction in late 2008. When this 20-year, USD-190-million
project is completed in 2030, the port will have 23 berths
capable of handling 4 million containers and 70 million tons of
bulk cargo annually. Geography and government efforts to
coordinate port activity will limit competition among river
ports on the Yangtze and its tributaries. Yibin will provide
farmers displaced by the construction with jobs at the new port,
and will establish an economic development zone that officials
hope will attract new factories. We hope that follow-on visits
by Senior Commercial Officer to Leshan -- and two other large,
"second-tier" cities in Sichuan visited recently by Consul
General -- will generate business opportunities for U.S.
companies. End Summary.

New Port Expanding Yibin's Role in Trade

[¶3.](#) (SBU) Zhou Changqing, Human Resource Director of the Yibin
Port Company in Yibin, 150 miles south of Chengdu, told Consul
General January 7 that the Yangtze river port his company is
building would make Yibin an important cargo transport hub. The
four berths of the first phase, begun in December 2008, will be
completed by the end of 2010. This will enable Yibin to
dispatch river traffic to eastern China, rather than shipping
through the river ports of Luzhou or Chongqing. Zhou estimated
that many of the shippers of the city's USD 200 million imports
-- including of coal, phosphorous, machinery, and chemicals --
would also use the river port. Yibin's new river port will also
serve other Sichuanese cities such as Zigong and Neijiang, as
well as nearby cities in Yunnan and Guizhou provinces.

[¶4.](#) (SBU) When completed in 2030, the Yibin port will have 23
berths for container cargo as well as loading facilities for
bulk cargo. Zhou said that the 20-year project would cost 1.3

billion RMB (USD 190 million). Economic development zones near the port will increase demand for port facilities. Yibin's new Lingang Economic Development Zone, is Sichuan's largest riverside economic zone. Zhou expects that machinery manufacturers will move into the development zone.

Official Hopes Cooperation Will Limit Competition,
Partnering with Shanghai International Ports Group

15. (SBU) Luzhou and Chongqing, major ports downriver from Yibin, will compete for cargo with Yibin. Zhou added that geography and government efforts to coordinate port activity would limit competition among the ports. Cargo from southern and southwestern Sichuan province will likely flow to Yibin or Luzhou. Chongqing, by contrast, is better situated to draw traffic from Nanchong, Guang'an, and Dazhou. He further added that the Sichuan Provincial Government proposed a "Yibin-Luzhou-Leshan Port Group," which would differentiate port functions and reduce competition among Sichuan river ports. This proposal would have Yibin specialize in containers, and Luzhou specialize in bulk cargo. Inter-Provincial port cooperation may take longer, however. Zhou said that a Shanghai-Chongqing-Sichuan river shipping coordination meeting was held in Chongqing last year, but no agreement was reached.

16. (SBU) Shanghai International Port Group (SIPG) has partnered with Yibin for the development and operation of the new port. A 2007-2008 SIPG survey determined that Yibin had the best

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potential port location on the middle and upper reaches of the Yangtze.

Resettling Displaced Resident around the Port

17. (SBU) The new port facility will displace about 200 peasants. Zhou said that many of the peasants have been moved into temporary, transitional houses until their new houses are constructed. The new housing provided will be an apartment that is 30 square meters (about 322 square feet) per member of household. Farmers who have not yet reached retirement age will be given jobs at the new port, while those past retirement age will be entitled to the retirement benefits of all urban residents.

Comment: Value of Visiting "Second-Tier" Cities;

Yibin Port Project: Wasted or Wise Public Investment?

18. (SBU) Yibin is the third "second-tier" city in Sichuan Province that Consul General has visited formally in the last six months, after Mianyang (ref A) and Leshan (ref B). Although "second tier," these cities, and the surrounding administrative regions under them, each contain several million residents -- smaller cities by Chinese standards, but major metropolises by

an American yardstick. Two of these trips have included visits to U.S. and Chinese multinationals and, in the cases of Yibin and Leshan, tours of major public infrastructure projects. In each case, they have also led to, or will lead to, follow-on visits by Chengdu's Senior Commercial Officer. We will continue this close integration of reporting, commercial work (and public diplomacy) during future visits to other second-tier cities in our consular district.

19. (SBU) In regards to the Leshan port development project (ref B), Post had questioned whether it was another example of excessive, wasteful capital investment by China, or a wise bet on the country's future. We are similarly conflicted about Yibin's huge, 23-berth river port project, which is located only a relatively short distance downstream from Leshan's proposed port/development zone (and other river ports in the area). When examining a schematic drawing of Yibin's completed port in the year 2030, one also sees a large, modern city in the background -- at a site where we observed in 2010 nothing more than large swaths of earth being sculpted, with empty agricultural land in the background. Perhaps Yibin's project will merely one of a long series of major infrastructure projects in China that, over the last 30 years, have successfully propelled the country's rapid economic growth. On the other hand, Yibin's new river port could prove to be underutilized, and scaled back in number of berths eventually constructed.

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